



Inflation Reduction Act: IPAA Analysis on Federal Lands and Waters Provisions

The Inflation Reduction Act, with a price tag of \$740 billion, is the largest piece of legislation for climate and energy programs to ever be passed by Congress and signed into law. The bill has reforms to significantly cut greenhouse gas emissions by the end of the decade and is largely paid for by new taxes on corporations and the wealthy. While offshore producers fared quite well, the outlook for onshore federal land production is not as promising. Below are some of the new provisions that will go into effect for each new lease starting from the date of enactment on Aug 16, 2022. (Please note, provisions are NOT retroactive to current leases unless specifically stated)

Offshore

Section 50261 increases shallow water offshore royalty to not less than 16.66%.

- Section 50263 assesses royalties on all extracted methane produced from federal land and the OCS. Assessment will be on all gas produced, including all gas that is consumed or lost by venting, flaring, or negligent releases through any equipment during upstream operations.
 - Exemptions are provided for (1) gas vented or flared for not longer than 48 hours in an emergency situation that poses a danger to human health, safety, or the environment; (2) gas used or consumed within the area of the lease, unit, or communitized area for the benefit of the lease, unit, or communitized area; or (3) gas that is unavoidably lost.
- This new assessment applies **ONLY** to federal leases issued after the date of enactment.
- Section 50264 requires that the Cook Inlet Sale 258 and Gulf of Mexico Sale 259 be held by March 31, 2023 and that Gulf of Mexico Sale 261 be held by September 30, 2023.
- Section 50264 requires to the Secretary to reinstate the outcomes of lease sale 257 and issue the appropriate lease form for company to fill out and return to the highest bidders within 30 days of enactment.

Onshore

- Section 50262 increases onshore royalty rate to not less than 16.66%.
- Section 50262 increases minimum bids from \$2 to \$10 per acre.
- Section 50262 increases fossil fuel rental rates from \$1.50 to \$3 per acre.
- Section 50262 increases rentals in reinstated leases from \$10 to \$20 per acre.
- Section 50262 will assess a new fee for expression of interest in leasing land available for disposition of \$5 per acre.
- Section 50262 eliminates non-competitive leases.
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- Section 50265 reaffirms already existing law that onshore lease sales shall be held quarterly according to the Mineral Leasing Act.

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